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DEPARTMENT FOR WHA/BSC

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SUBJECT: THE BRAZIL-RUSSIA PARTNERSHIP: COFFEE AND SYMPATHY

REF: MOSCOW 3526

Classified By: DCM Lisa Kubiske. Reason 1.5(D)

¶1. (C) SUMMARY. The late November visit to Brazil by Russian President Medvedev provided an opportunity for both countries to express their interest in enhanced economic ties, science and defense cooperation, energy and development of the BRIC grouping as a more regular international forum. Brazil and Russia used Medvedev's visit and the meeting of the Intergovernmental Commission on Economic Cooperation that preceded it as a means of evaluating their current relationship and exploring areas of potential for increased partnership. Working with Russia, another large country with an expanding economy, is politically attractive to Brazil, which aspires to the sort of regional leadership (and permanent UNSC seat) that Russia has. Russia also provides a growing market for Brazilian exports, including meat and coffee, as well as a source of technology for Brazilian industry. Although Medvedev's visit highlighted these areas of potential, Russian-Brazil cooperation remains more theoretical than actual. Brazilians cite the difficulty of doing business with Russia, diverging interests in such areas as alternative fuels and Russia's backing of Hugo Chavez as obstacles to progress. The Medvedev visit was widely seen by Brazilians as successful in terms of the number of declarations in principle that cooperation would be pursued, rather than because of any concrete results. While Brazil's decision to purchase twelve Russian helicopters was heralded as indicative of a new strategic partnership, Brazilian officials have privately referred to the purchase as a &token.8 Although the declaration of the Presidents made much of areas for future collaboration, it was notably silent on the current financial crisis, a key omission in light of the importance of oil prices to Russia's economy, the effects already being experienced by Brazil's export sector, and the role both aspire to play in resolving the crisis. The relationship with Russia will continue to be politically important to Brazil, but partnership will continue to feature more joint declarations than concrete projects. END SUMMARY.

¶2. (C) During a recent discussion at the Ministry for External Relations (MRE), the Director for Europe, Elizabeth Mazzella, described Brazilian feelings toward Russia as &sympathy.8 Brazilians believe that they and Russia have much in common. Both are large, multi-ethnic states with growing economies. In 2002, the two governments launched a &strategic partnership8 that was reaffirmed during President Medvedev's November 2008 visit to Brazil. While the visit yielded some substantive results, notably Brazil's decision to purchase combat helicopters, most of what emerged was in the nature of resolutions to explore future

cooperation in such diverse areas as energy, the environment, coffee exports and UN reform. Much like the coffee to be exported, such broad declarations, though lacking substance, are much to the Brazilian taste and illustrate Brazil's political interest in enhancing its sympathetic relationship.

POTENTIAL FOR TRADE

13. (C) When asked about results from the Lula-Medvedev Summit, Brazilian officials cite commercial cooperation as of greatest importance, however, the actual outcomes of the meeting indicate that at present the potential for cooperation greatly exceeds the reality. In 2007, bilateral trade was worth approximately \$5 billion, and the Presidents called for its expansion and diversification. For Brazil, the priority will be on exports from its agricultural sector, especially meat products. Russia has restricted Brazil exports, particularly of pork and chicken, based on supposed concerns about food safety but has shown signs of relaxing its restrictions. A Russian food inspection team recently visited Sao Paulo and Brazilian meat packagers have signed agreements to operate two plants in Kaliningrad. The MRE also reports new agreements for the sale of Brazilian trucks and coffee (&In Moscow, they drink too much tea.8) to Russia. The Presidents also agreed to work on an agreement to avoid &double taxation8 to promote business cooperation.

14. (SBU) Lula and Medvedev emphasized the energy sector as having "significant potential for cooperation." Gazprom and Lukoil have sent teams to Brazil to try to get a piece of Brazil's offshore oil action by offering alleged Russian expertise from joint projects with the U.S. to help surmount technical obstacles to exploitation of Brazil's pre-salt oil reserves. Rosatom has approach the Brazilian Ministry of Energy about Brazil's plan to build up to eight new nuclear power plants, but the MRE believes Russia to be an unlikely partner because of its unwillingness to transfer technology and its insistence on providing the fuel for Russian built plants. Brazil would prefer to make use of its own uranium reserves and enrichment capabilities. MRE special advisor Marcos Pinta Gama told poloff that Russia had offered assistance with Brazil's plans to build a nuclear powered submarine, but Defense Minister Jobim considered France a better partner. Brazil was unable to interest the Russians in biofuels and believes Russia's energy sector will remain centered on oil.

15. (C) Russia agreed in principle to assist Brazil's development of its Satellite Launch Vehicle as a &partner8 for next generation space launch development. In return, the Brazilians expressed interest in partnership in Russia's satellite navigations system. MRE sources told us that the Intergovernmental Commission had discussed possible Russian use of Brazil's future satellite launch facility, but that the Russian side had little understanding of the difficulties Brazil faced in building on the proposed site. When told that the land belonged to a group of quilombos (descendents of escaped slaves), the Russian rep had said, &What is the problem? Just pack them up and move them somewhere else.8

DEFENSE COOPERATION

16. (C) Brazil regards Russia as an important potential collaborator in the areas of defense and security, but, as in other areas, &potential8 remains the key concept. Brazil and Russia were able to sign a defense cooperation agreement similar to the one with the U.S. that the MRE has refused to clear on for almost a year. The two governments have also agreed in principle on an information sharing agreement whose negotiation was in the words of a MRE source &surprisingly easy.8

17. (C) In Brazilian reporting on the Summit, the headline result was Brazil's agreement to purchase twelve Mi-35 attack helicopters for &defense of the Amazon.8 While the efficacy of a dozen relatively short range aircraft for such a job is open to debate, the purchase appears to be no more than a political sop to the Russians. Officially, the

decision to buy from Russia is portrayed as bringing the benefit of &diversified8 sources of military equipment, but MRE Europe Director Mazzella referred to it as a &token.8 Brazilian military sources have told the Defense Attache Office that the only reason for buying some Russian equipment would be to demonstrate its poor quality in order to have a strong case for not buying more.

THE FELLOW &BRIC8 ROAD

¶18. (C) One other major result of the Medvedev-Lula meeting from Brazil,s point of view was Russia,s agreement to host a major Summit of the BRIC (Brazil, Russia, India, China) countries in Yekaterinburg in May or June of next year. At this time, the MRE has no specifics regarding the agenda but regards the meeting as an important step in the development of the BRIC group as a regular international grouping. According to Mazzella, the Russians share Brazil,s interest in enhancing the BRIC group and have been most active in promoting greater group unity. This was reflected in the statement released by the BRIC Ministerial in May 2008 which largely reflected Russian international priorities. Mazzella admitted that the statement was a Russian draft but noted that Brazil contributed the language calling for reform of the UN Security Council. India and China, although they attend the meetings, have not taken as great a role and have shown less interest in going down the road of expanding joint BRIC activity.

UN REFORM

¶19. (SBU) The Brazilian press showed some disappointment with what was seen as a lack of agreement with Russia on the importance of UN reform -- a term in Brazil understood to mean only inclusion of Brazil as a permanent member of the Security Council. The MRE takes a &glass half full8 view of the Summit, noting that Russia did agree that the UNSC should be enlarged and progress should be rapid. This language is viewed by the GOB as a step forward from the Russians, who have been seen as among the least sympathetic toward Brazil,s aspirations. As one Brazilian diplomat who has served in Moscow put it: &Russia has lots of land and a falling population. Their Security Council seat is what keeps them important.8

STRATEGIC PARTNERS -- OR NOT

¶10. (C) For many Brazilian leaders, a strategic partnership with Russia makes sense. As are many Russians, Brazilians are fond of rhetoric espousing &multipolarity,8 UN primacy and territorial integrity. Minister for Strategic Planning Roberto Mangabeira Unger has stated repeatedly that Russia is a natural partner and has championed enhancing defense cooperation as a means of lessening presumed dependence on the U.S. Despite the political attraction, the strategic partnership has, much like initiatives to enhance trade, been more in terms of potential than concrete projects.

¶11. (C) From the Brazilian point of view, there are several reasons for caution in the partnership with Russia. The Brazilian military has told Defense Attaches that they believe Russian equipment to be inferior and prone to maintenance problems. The Sukhoi 35 was dropped from the FX2 fighter competition in October because Russia was unwilling to transfer technology. Furthermore, Brazilian Air Force members who participated in discussions with Russia considered their counterparts to be &uninterested in reaching a mutually advantageous deal8 but focused on &winning8 the negotiations. There is also little common ground with Russia on such key issues for Brazil as biofuels and environmental initiatives. Also, Brazilians are wary about what they view as excessive Russian arms sales to Venezuela. With the Chavez government known to be supplying weapons to the FARC, Pinta Gama expressed concern that Chavez is buying more rifles than there are members of the Venezuelan military. Concerned about the lack of control over their extensive borders, many Brazilians regard Russia,s pretext of protecting citizens with recently issued

passports as justification for invading Georgia as an unwelcome precedent.

¶12. (C) Comment: Despite the difficulties, the Brazil-Russia relationship offers attractions for both sides. In some ways, Russia is much of what Brazil aspires to be: a major power with a UNSC seat that is the heavyweight among its region,s economies. In Brazil, Russia has a sympathetic government with strong democratic credentials in Latin America that tends to avoid criticism of Russia,s human rights record and heavy handed policies toward its neighbors. The Medvedev visit afforded an opportunity to reaffirm the partnership and announce intentions to pursue cooperation in commerce, defense, energy and science. These announcements serve their political purpose of signaling the importance each country attaches to the relationship but do not necessarily carry much promise of follow through. Lost in the impressive rhetoric on increasing trade and scientific cooperation is the reality of the global financial crisis and its likely affects on both countries and their ability to undertake major new cooperative projects. Brazil and Russia will continue to have sympathy for each other in areas where it is politically advantageous, but substantial cooperation will probably remain on a slower track.
SOBEL